

MiraCosta Community College District

Commercial Warrants

July 1, 2021 through December 31, 2021

May 2022

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Background

MiraCosta Community College District (the District) is a California community college founded in 1934 serving the North San Diego County area. The main campus is located in Oceanside, California. The District also has a campus in Cardiff, California as well as a Community Learning Center in Oceanside and a Technology Career institute in Carlsbad, California. The District is accredited by the Accrediting Commission for Community and Junior Colleges Western Association of Schools and Colleges and offers Associate of Arts degrees as well as certificates in varied areas of study.

The District obtained fiscal independence for commercial warrants from the County of San Diego Office of Education effective January 1, 2020.

Fiscal Independence

Fiscal independence authorized by the California Community Colleges Systems Office gives community college districts “broad authority to issue warrants without review or approval of the County Office of Education or the County Auditor.” Accordingly, a community college granted fiscal independence pursuant to Education Code (E.C.), Section 85266.5 shall maintain accounting controls pursuant to standards prescribed by the Board of Governors.¹

Community College Districts in California granted fiscal independence pursuant to the California Education Code must maintain adequate internal controls and have an internal audit function that can provide reasonable assurance that those internal controls are well designed and operating as intended. The District retained Clifton Larson Allen, LLP to provide internal audit services on an ongoing basis to the District.

Fiscal independent standards prescribed by the Board of Governors referenced above include the standards herein.

Standard 1: **Adequate Fund Balances** - The district has avoided deficit balances in its funds and has maintained a prudent reserve in its unrestricted general fund over the preceding five fiscal years.

Standard 2: **Statute and Governing Board** - The district makes only lawful and appropriate expenditures in carrying out the programs authorized by statute and by the governing board.

¹Memorandum FS-06 from the California Community Colleges System Office to community college Chief Business Officers, August 16, 2007.

Standard 3: **Adequate Internal Controls** - The staff of the accounting, budgeting, contracts, management information systems, internal audits, personnel, and procurement departments are adequate in numbers and skill level to administer administrative programs independent of detailed review by the county office of education and to provide an internal audit function that assures adequate internal controls.

Standard 4: **Legality and Propriety of Transactions** – the staff of the accounting, budgeting, contracts, management information systems, internal audits, personnel, and procurement departments exercise independent judgment to assure the legality and propriety of transactions.

Procedures Performed

On a monthly basis, CLA accessed the commercial warrant listing directly from Workday. Control operating effectiveness (whether controls are operating as designed) was validated by applying systematic² and judgmental³ sampling techniques. The key controls tested in order to validate that the control is operating effectively were as follows:

Accounts Payable

- Review vendor invoices for accuracy by comparing charges to purchase orders
- Verify that the goods and services purchased have been received
- For out-of-state vendors, that 7% of gross payments in excess of \$1,500 in a calendar year are withheld (FTB Form 590 or invoice documents 7% withheld)
- Receipts and statements are attached as required with the necessary approvals
- Travel is authorized and receipts are attached
- Reimbursements to individuals over \$500 are supported by receipts and have been approved

Purchasing

- Public works payments have received board approval and are supported by a contract and/or bid form
- Change orders are signed and the board approval date is documented
- Vendors possess a valid contractor's license, when applicable
- Vendors with contracts above \$25,000 for public works and \$15,000 for maintenance have a valid California Department of Industrial Relations (DIR) registration
- Review vendor invoices and hourly rate sheets, if applicable
- Contracts and agreements are signed and the board approval date is documented
- Purchase requisition authorization complies with Standard No. 11 contained in AP 6300: Fiscal Management

²Systematic sampling is a type of probability sampling method in which sample members from a larger population are selected according to a random starting point but with a fixed, periodic interval.

³Judgmental sampling, also called purposive sampling or authoritative sampling, is a non-probability sampling technique in which the sample is chosen on the basis of the professional's knowledge and judgment.

For the period of July 2021 through December 2021, a monthly sample of 22 items were selected. Validation of key accounts payable controls was performed on 90 transactions and validation of key purchasing controls was performed on 42 transactions.

In addition, a monthly check gap analysis was performed and any missing records were investigated to ensure warrants have been voided or are the result of overflow checks. An overflow check occurs when the check stub information exceeds the space available on one check stub and flows onto the subsequent check stub, creating the need to void the subsequent check.

Observations and Recommendations

No items or findings to be communicated to management as an observation or recommendation were identified for the period of July 2021 through December 2021. Additionally, no best practice recommendations that we believe are prudent, common to the industry, or beneficial to the District and are generally opportunities to enhance current procedures or improve efficiencies in processes and procedures were identified for the period of July 2021 through December 2021.

Conclusion

Procedures performed, as listed above, for the period of July 2021 through December 2021 did not reveal deficiencies in the operation of internal controls or that the District's internal controls are not operating as intended. Therefore, it has been determined that controls surrounding the accounts payable and purchasing functions are satisfactory, as described herein.

Rating	Definition
Satisfactory	A rating of satisfactory indicates that management is currently maintaining adequate internal controls. Nothing came to our attention to cause us to believe that (1) the effectiveness of internal controls and related compliance by all employees was unsatisfactory or (2) the unit/operation/area was generally not in compliance with internal policies and procedures subject to the audit procedures.
Needs Improvement	A rating of needs improvement indicates that management may have not implemented controls that generally exhibit some level of weaknesses that range from moderate to high deficient.
Unsatisfactory	A rating of unsatisfactory indicates that management has failed to implement effective controls over the highest-risk processes and exhibit weaknesses that are critically deficient. The instances of noncompliance may represent significant risks to the unit/operations/area or to the organization as a whole. Observations resulting from the audit warrant immediate attention.